

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY)	
WATER DISTRICT FOR APPROVAL OF)	
CONSTRUCTION OF PRETREATMENT)	CASE NO.
BUILDING IMPROVEMENTS AT FORT THOMAS)	2008-00188
TREATMENT PLANT AND ISSUANCE OF A)	
CERTIFICATE OF CONVENIENCE AND)	
NECESSITY)	

ORDER

Northern Kentucky Water District ("NKWD") has applied for a Certificate of Public Convenience and Necessity to make improvements to its Fort Thomas Treatment Plant and for authorization to enter into a loan agreement with the Kentucky Infrastructure Authority ("KIA"). Having reviewed the application and being otherwise sufficiently advised, the Commission finds that:

1. NKWD proposes to construct a pretreatment chemical building to store and feed chemicals for treating the raw water storage reservoirs at its Fort Thomas Treatment Plant.

2. The proposed building will allow NKWD to automate its chemical pretreatment and provide a common raw water line for chemical injection to its raw water reservoirs.

3. The proposed building will replace an existing structure that was constructed in 1860, whose feed systems are undersized, and that was found during a recent assessment to have several deficiencies.

4. Total estimated cost of the proposed construction, including engineering and construction costs and contingencies, is \$3,100,000.

5. NKWD has selected Building Crafts, Inc. to construct the proposed pretreatment building.

6. HDR/Quest Engineers of Lexington, Kentucky prepared the drawings and specifications for the proposed pretreatment building.

7. The Division of Water of the Kentucky Environmental and Public Protection Cabinet¹ has approved the plans and specifications for the proposed project.

8. The proposed facility does not conflict with the existing service of other utilities.

9. Construction of the proposed facility will not result in the wasteful duplication of or excessive investment in utility facilities.

10. The public convenience and necessity require the construction of the proposed improvements to the Fort Thomas Treatment Plant.

11. NKWD proposes to finance the proposed facility with \$150,000 of proceeds from the issuance of a bond anticipation note; \$250,000 of proceeds from a prior bond issuance; and \$2,700,000 of proceeds from a KIA Federally Assisted Drinking Water Revolving Fund Loan.

12. KIA has approved a loan of \$4.0 million to NKWD to finance the proposed facility and distribution upgrades.

13. NKWD proposes to enter a loan agreement with KIA for \$2.7 million of the \$4.0 million to be repaid over a 20-year period at an interest rate of 1 percent per annum.

¹ On June 16, 2008, the Environmental and Public Protection Cabinet was reorganized. The Division of Water was placed under the authority of a newly created Energy and Environment Cabinet. See Executive Order 2008-0531.

14. NKWD intends to apply to the Commission in the future for authorization to make further draws on the \$4.0 million.

15. The proposed loan agreement with KIA is for a lawful object with NKWD's corporate purposes, is necessary and appropriate for and consistent with NKWD's proper performance of its service to the public and will not impair NKWD's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. NKWD is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction as set forth in its application.

2. NKWD is authorized to enter into a loan agreement with the KIA for an amount not to exceed \$2,700,000 with a term of 20 years at an interest rate of 1 percent per annum.

3. NKWD shall notify the Commission prior to performing any additional construction not expressly authorized by this Order.

4. Any deviation from the construction approved shall be undertaken only with the prior approval of the Commission.

5. NKWD shall furnish documentation of the total costs of this project, including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.), within 60 days of the date that construction is substantially completed. Construction costs shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

6. NKWD shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract

plans and specifications within 60 days of the substantial completion of the construction certificated herein.

7. NKWD shall require construction to be inspected under the general supervision of a licensed professional engineer with a Kentucky registration in civil, electrical, or mechanical engineering, to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

8. NKWD shall advise the Commission in writing of the final terms of the loan agreement within 30 days of the execution date.

9. NKWD shall use the proceeds from its proposed loan agreement with KIA only for the purposes set forth in its application.

Nothing contained herein shall be deemed a warranty or guarantee of the Commonwealth of Kentucky, or any agency thereof, of the evidences of indebtedness authorized herein.

Done at Frankfort, Kentucky, this 13th day of August, 2008.

By the Commission

ATTEST:

Executive Director